

Our Strategy

Our strategy enables us to deliver sustainable business growth through maximising the value of our core Consumer Healthcare business, thereby increasing the number of people who can potentially benefit from our products.


This is what enables us to progress towards our vision of becoming a leading international healthcare business, and being both the partner and employer of choice.

There are two core elements to our strategy: delivering organic growth from our key brands, and engaging in selective, complementary acquisitions that can leverage our established infrastructure to enhance this growth. Underpinning these are our investment in people and sustainable business strategy. Over the following pages we provide more detail around our core strategy, our progress in 2021 and our priorities for 2022. Similar commentary in relation to investing in people can be found on page 22, with our sustainability strategy being covered on pages 25 to 33.

Core strategy



Organic growth –
key brands

 See page 18



Complementary
acquisitions


 See page 19

- › Investing in marketing excellence and Innovation and Development (I&D) to drive growth in major Consumer Healthcare brands
- › Stable, cash-generative Prescription Medicines business provides synergy through in-house regulatory knowledge and supports growth
- › Focus on Consumer Healthcare
- › Leveraging global platform
- › Strong balance sheet means we are increasingly well placed to participate in complementary acquisitions

Underpinned by




Investing
in people

 See page 22



Sustainability

 See page 25

Our Strategy continued



Organic growth – key brands

The primary driver of organic growth is our Consumer Healthcare portfolio.

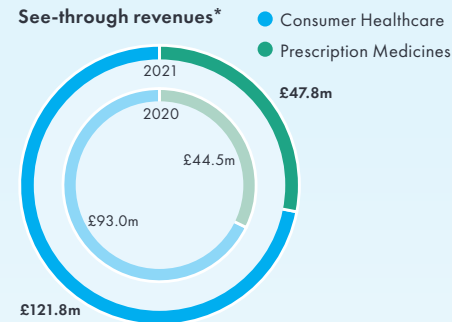
Our key brands, Kelo-cote, Amberen and Nizoral, are all well-established in their respective core markets, with strong claim sets and good clinical utility – enabling them to deliver real value to users. All target growing demographics, making them well-suited to digital marketing and e-commerce, and all offer good innovation opportunities too. It is this combination of brand characteristics, coupled with the operating platform we have built across EMEA, APAC and AMER, and the expertise and relationships underpinning this, which provides the opportunity for us to drive double digit growth from these brands.

Many of our smaller consumer brands share similar characteristics, enabling them to benefit both from the platform and from a common approach to driving growth, focused on marketing excellence and where appropriate, innovation.

Innovation & development (I&D)

I&D at Alliance encompasses a broad range of activities aimed at creating value through:

- › New product development – brand extensions (new formulations, targeting related sub-sectors), or new presentations
- › New thinking – for example, classification switches, or the creation of new claims for a product
- › New therapeutic indications
- › Refreshing existing products to maintain consumer appeal



Progress in 2021:

- › Delivered a 430 basis point improvement in gross margin, including the first full year of Amberen – allowing for increased investment in marketing and Innovation & Development ('I&D') to accelerate future organic growth
- › Implemented a new cross-border e-commerce distribution agreement for Kelo-cote, enabling us to move closer to the customer and giving further control of our distribution chain
- › Rolled out a new I&D process, supported by a dedicated team, to develop and deliver an innovation pipeline for our key consumer brands. This will enable us to maintain the relevance of our brands to consumers by extending the reach of a number of our larger consumer brands, through brand extensions

* Non-IFRS alternative performance measures (see note 34).

See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.



Priorities for 2022:

- › Continuing our focus on I&D, with the first new products arising from this process expected to launch in 2022
- › Extending our cross-border e-commerce platform in China, to include additional brands, through the creation of an Alliance multi-brand store
- › Realising the growth potential from Amberen through increasing our focus on brand positioning, executing a new integrated marketing campaign and starting to build an innovation pipeline for the brand to underpin its longer-term growth

Our Strategy continued



Enhancing our growth through complementary acquisitions

Our strategy is to acquire new products which meet our selective acquisition criteria and integrate these into the business efficiently, to enhance our growth.

The platform we have created across EMEA, APAC and, more recently, the US, enables us to acquire and integrate new assets with ease – we continue to evaluate opportunities which meet our selective acquisition criteria to further develop our business. We typically review around 80 to 100 opportunities a year.

Our well-established relationships within the consumer healthcare M&A market, clear acquisition criteria and track record mean we continue to have good access to new opportunities, whilst our continued strong cash generation means we can deleverage quickly, replenishing our available debt capacity.

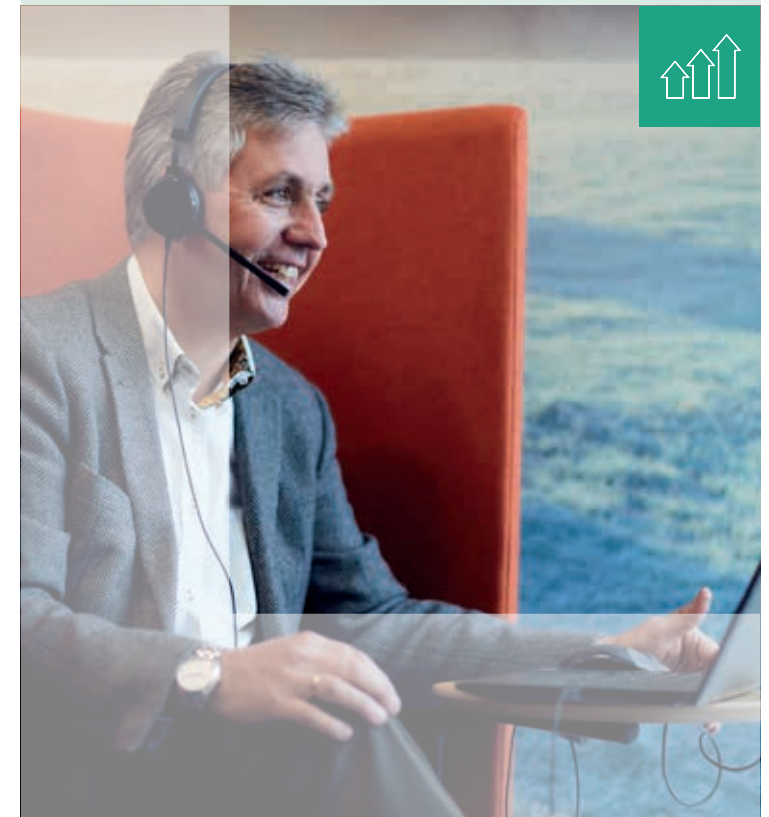
Progress in 2021:

- › Amberen integration completed, helping to both increase our presence and develop our operating platform in the US
- › Around 80 acquisition opportunities reviewed, of which three progressed to full evaluation
- › Net debt reduced by £22.4m, with leverage falling from 2.43x following the acquisition of Amberen in December 2020, to 1.73x at 31 December 2021

Priorities for 2022:

- › Continuing to identify, evaluate and progress new opportunities which will deliver value to shareholders and help us to achieve our growth ambitions
- › Continuing to maintain the strength of our pipeline and our funding capabilities in both debt and equity

We are a selective acquiror, seeking assets we can integrate into our platform and apply our skills and know-how, to generate strong returns.



Our Strategy continued

Case study

Responding to the acceleration in e-commerce growth

Global retail e-commerce revenues reached \$4.9 trillion in 2021, with COVID-19 driving growth of 16.3%. Retail e-commerce sales now represent 19.0% of total retail sales, up from 17.9% in 2020*.

* Source: e-commerce report 2021 – Food and Personal Care – Statista Digital Market Outlook, June 2021.

In 2021, we continued to take advantage of the change in consumer behaviour by embracing e-commerce opportunities both locally and cross-border ('CBEC'), with a particular focus on Kelo-cote in China. In August 2021, we entered into a new CBEC distribution agreement for Kelo-cote, bringing us closer to the customer and giving us increased control of our distribution chain. Working with our partner, we launched Kelo-cote flagship stores on the China CBEC marketplaces, Tmall and JD.com, to further accelerate top-line growth in this key market. The initial response has been very encouraging.

In 2021, around 25% of Group sales were e-commerce related, representing around one third of our total Consumer Healthcare sales. In addition to CBEC sales, which remain a key focus, this also included sales in the UK and US through platforms like Amazon, Walgreens.com and Boots.com. In 2022, in addition to optimising our existing e-commerce sales channels, we plan to make a number of our other brands available to Chinese consumers through e-commerce platforms, and also to expand our geographical presence on marketplace platforms in South-East Asia, a region with high e-commerce growth.



E-commerce growth

The personal care category, which includes healthcare products, grew 18.4% in 2021 to reach \$260 billion. This presents a significant opportunity for us to drive enhanced revenue growth*.

Our Strategy continued

Case study

Developing our platform in the US

2021 saw significant transformation of our business in the US, following the acquisition of Amberen at the end of 2020. We now have a solid platform from which to support growth in the region and to scale up further when suitable acquisition opportunities arise.

The development of our business in the US, the largest and one of the fastest growing consumer healthcare markets in the world, has been a key strategic focus for us in recent years. Initiated with the acquisition of Vamousse in 2017, it was the Amberen acquisition in late 2020 which brought pivotal growth.

Throughout 2021, in parallel with the integration of Amberen, we have been strengthening our operating capabilities: redesigning our

organisation structure, bringing in new people, and upskilling existing colleagues, to create a team who can both commercialise new products and manage growth. We've also migrated our US headquarters to new, larger premises, to accommodate our growing team.

Our aim in 2022 and beyond is to further exploit the platform we have established in the US through the inclusion of additional OTC products.



New products

We expect to launch a number of new products/line extensions in the US over the next 12–18 months, and continue to actively look for US acquisition opportunities to build on our strengths in this market.

Our Strategy continued



Investing in people

People are a key element of the Alliance mix. Our vision is to be the employer of choice.

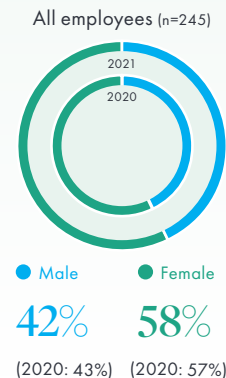
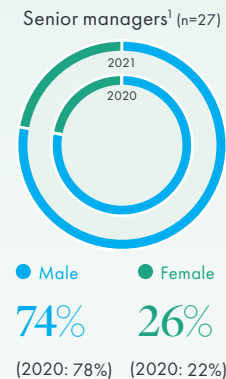
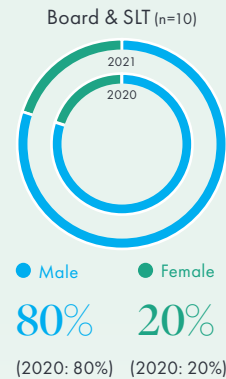
To achieve this, it's crucial that we continue to invest in our employees and to recognise the changes and challenges to working patterns that have come about in response to the pandemic and respond accordingly. Our overriding objective is to continue to ensure that our resourcing adequately supports the business' medium-term growth ambitions – and that our strong collaborative and inclusive culture, and the people who form part of it, continue to thrive.

Additional metrics on employees can be found in Sustainability – people and human capital management on **page 30**

* As at 31 December 2021.

¹ Defined as those running major divisions or departments, but not part of the executive team.

Employees by gender^{*}:



Total headcount (incl. non-execs and fixed term contractors (FTCs))

256
(2020: 246)

Progress in 2021:

- › We continued to strengthen our employee engagement, through actioning findings from the 2020 Great Place To Work © (GPTW) survey and ensuring that the employee base stayed connected, particularly through extended periods of remote working
- › We developed and implemented new, more flexible working arrangements based on insights gained from the Ways of Working survey, which we continued to run on a regular basis throughout 2021 to check in on how employees were feeling, identify any issues or requirements for additional support, and inform our future plans
- › We ensured the effective integration of new employees joining our US business following the Amberen acquisition
- › We put in place a global employee assistance programme as an additional benefit for employees
- › We continued to develop and refine our recruitment and orientation processes, and succession planning

Employee engagement (GPTW survey):

Survey response rate:

74%
(2020: 73%)

Overall Trust Index® rating:

76%
(2020: 79%)

Priorities for 2022:

- › Action findings from the 2021 GPTW survey: five priority areas have been identified and local focus groups will be used to gain additional insight
- › Continue to test and refine our new ways of working to ensure this works successfully both at a business and individual level
- › Continue to bring new people into the business to ensure our resource capability continues to support our growth ambitions for 2022 and beyond
- › Progress with the implementation of our new HR system (scoping and planning already underway in 2021)

Great Place to Work

We were delighted to achieve Great Place To Work © (GPTW) certifications in the UK and in China again this year – and also to be Great Place to Work-certified for the first time in Singapore

